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**SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS**

Further Soviet attempts to terminate existing operating arrangements between the railway systems of its European Satellites and Western organizations have been revealed. The USSR has now proposed to all central and eastern European railway administrations that a joint Satellite operating company be formed to supply dining and sleeping car service throughout the Satellite areas. This would theoretically permit the reduction or elimination of Western equipment. (Item No. 1, B)

In a move to forestall Satellite withdrawals from the international Bern railway Convention, the Swiss Government is exploring the possibility of transferring the Bern Bureau, which administers the Convention, from Swiss supervision to that of the United Nations. (Item No. 2, C)

The US and UK Military Governments in Germany have announced that parcel post packages, including international gift parcels, will no longer be accepted for transit of the US-UK Zones to destinations in the Soviet Zone or the Soviet Sector of Berlin. (Item No. 3, C)

While German-flag shipping is still confined to Northwestern Europe and Scandinavia, regular foreign-flag shipping connections are being rapidly established between the German North Sea harbors and almost every other port of the world. (Item No. 4, C)

Czechoslovakia and Israel may have agreed, for entirely different reasons, to terminate one phase of their flagrant violation of the Palestine truce. While there is no indication of a let-up in the supply of armaments being made available to Israeli forces, the organized training of Israeli Air Force combat and transport pilots by the Czechoslovak Government has been abruptly terminated. Reports indicate that

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- 2 -

this move was taken on Czechoslovak initiative with resulting dismay on the part of Israeli officials. The apparent reversal of Czechoslovak policy, however, may have been mutually agreeable as a logical sequence to recent events. (Item No. 5, A)

The Government of Pakistan's recent negotiations with the Philippine Government's chosen instrument, Philippine Airlines (PAL), have brought out Pakistan's official attitude toward "fifth freedom" principles. (Item No. 6, E)

The Greenland Administration has now reversed the position it took in 1945 against scheduled air services to Denmark, and negotiations will be reopened shortly with the Danish airline DDL for such services to Copenhagen. (Item No. 7, C)

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- 8 -

## SECTION II. CURRENT DEVELOPMENTS

SURFACE TRANSPORTATION

1. Further Soviet attempts to terminate existing operating arrangements between the railway systems of its European Satellites and Western organizations (See TG Weekly No. 39) have been revealed. The USSR has now proposed to all central and eastern European railway administrations that a joint Satellite operating company be formed to supply dining and sleeping car service throughout the Satellite areas. This would theoretically permit the reduction or elimination of Western equipment.

The USSR undoubtedly believes that Wagons Lits (head office, Paris), which now sends such equipment into Satellite areas under working arrangements with the Satellite railways, presents a security danger. On the other hand, although the USSR is determined to exclude Wagons Lits, it is not in a position to assist Satellite railways with Soviet or captured equipment. When Satellite rail experts inspected forty damaged German sleeping and dining cars, which the USSR had offered to contribute to a new company, the equipment was found completely unserviceable.

The Soviet plan will not be implemented immediately in view of the lack of equipment. Czechoslovakia, in fact, is ready to renew a present operating arrangement with Wagons Lits. The USSR, however, is likely to maintain its pressure, and Wagons Lits will probably be progressively reduced and finally eliminated in Satellite territory as equipment becomes available.

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2. In a move to forestall Satellite withdrawals from the international Bern railway Convention (See TG Weekly No. 39), the Swiss Government is exploring the possibility of transferring the Bern Bureau, which administers the Convention, from Swiss supervision to that of the United Nations. It seems unlikely, however, that the contemplated maneuver would be effective if the USSR is determined to force the Satellite withdrawals. The plan, moreover, has encountered difficulties due to Spanish membership in the Bern Bureau and the fact that Switzerland has no voting right in ECE, the UN organ to which the Bern Bureau would be logically transferred.
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- 4 -

3. The US and UK Military Governments in Germany have announced that parcel post packages, including international gift parcels, will no longer be accepted for transit of the US-UK Zones to destinations in the Soviet Zone or the Soviet Sector of Berlin. Similar restrictions will probably be adopted in the French Zone. This additional curtailment of interzonal transport was imposed after the USSR had ignored a US-UK warning that the exchange of mail cars must be balanced. The steady loss of this equipment to the Soviet Zone had reached 1,531 units on 15 November 1948.

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4. While German-flag shipping is still confined to Northwestern Europe and Scandinavia, regular foreign-flag shipping connections are being rapidly established between the German North Sea harbors and almost every other port of the world. This activity reflects the marked economic recovery of Western Germany in recent months.

CIVIL AVIATION

5. Czechoslovakia and Israel may have agreed, for entirely different reasons, to terminate one phase of their flagrant violation of the Palestine truce. While there is no indication of a let-up in the supply of armaments being made available to Israeli forces, the organized training of Israeli Air Force combat and transport pilots by the Czechoslovak Government has been abruptly terminated. Reports indicate that this move was taken on Czechoslovak initiative with resulting dismay on the part of Israeli officials. The apparent reversal of Czechoslovak policy, however, may have been mutually agreeable as a logical sequence to recent events.

Czechoslovak initiative in terminating the training program, while the munitions traffic continues unabated, seems inconsistent. If, however, a policy has been adopted of curtailing the extensive aid to Israel, Czechoslovakia could have been motivated by: (1) direct Soviet orders; (2) the belief that in the event a "bourgeois" government is elected in Israel next January, the Israel Air Force might be employed to oppose Communist objectives in the Middle East; (3) a desire to give the Arabs, to whom the Czechs are also believed to have sold arms, an opportunity to recover their military potential, thereby prolonging hostilities; and (4) a belated desire to avoid charges of violation of the UN Security Council Resolution which established the Palestine Truce.

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- 5 -

On the other hand, Israel may not have strongly objected to the termination of the pilot training program because of: (1) the establishment of adequate training facilities in Israel and the existence of a group of Israeli flight instructors, familiar with Czech-built ME-109 fighters and experienced in local combat conditions; (2) a sense of security in the present state of suspended hostilities and confidence in the ability of the Israeli Air Force to maintain superiority over local air opposition; (3) a desire to conserve reserves of hard currency, demanded by Czechoslovakia for services rendered; and (4) Israel's desire to avoid accusations which might prejudice its immediate admission to the UN.

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6. The Government of Pakistan's recent negotiations with the Philippine Government's chosen instrument, Philippine Airlines (PAL), have brought out Pakistan's official attitude toward "fifth freedom" principles. Pakistan, desiring to protect its two sponsored airlines (Pak Air and Orient Airways), is insisting that PAL be excluded from carrying passengers or freight between Pakistan and India and between Pakistan and points in the Middle East. PAL is willing to accept the Pakistan restrictions, because it is interested primarily in long hauls on a Manila-London route. (PAL itself has recently complained of the severe competition from US airlines serving Manila. It has attempted to persuade the Philippine Government to modify its liberal aviation policy and to negotiate a revision of the US-Philippine air agreement in order to restrict the number of competing flights by US carriers.)

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7. The Greenland Administration has now reversed the position it took in 1945 against scheduled air services to Denmark, and negotiations will be reopened shortly with the Danish airline DDL for such services to Copenhagen. (DDL is also interested in providing air connections to the Faeroe Islands and has made a survey for suitable airfield facilities there. Occasional intermediate stops on flights to Greenland may be made at the Faeroes.) It is doubtful whether the traffic potential of the projected route is sufficient in itself to warrant the new service. The Danish Government, however, will probably agree to subsidize the project for reasons of national prestige and as a means of drawing closer postwar ties with its strategically located dependency.

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